

SENSHU ELECTRIC (9824)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY10/2019	83,676	3,979	4,206	2,714	277.04	70.00	4,094.81
FY10/2020	74,288	3,124	3,382	2,351	247.02	70.00	4,295.79
FY10/2021CoE	86,900	3,850	4,200	2,900	318.97	80.00	-
FY10/2020	YoY	(11.2%)	(21.5%)	(19.6%)	(13.4%)	-	-
FY10/2021CoE	YoY	17.0%	23.2%	24.2%	23.3%	-	-
Consolidated Half Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY10/2020	38,399	1,804	1,911	1,320	-	-	-
Q3 to Q4 FY10/2020	35,889	1,320	1,471	1,031	-	-	-
Q1 to Q2 FY10/2021	42,973	1,905	2,090	1,442	-	-	-
Q3 to Q4 FY10/2021CoE	43,927	1,945	2,110	1,458	-	-	-
Q1 to Q2 FY10/2021	YoY	11.9%	5.6%	9.3%	9.2%	-	-
Q3 to Q4 FY10/2021CoE	YoY	22.4%	47.3%	43.4%	41.4%	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (16 July 2021)

Rising Copper Prices

SENSHU ELECTRIC, technology-oriented trading house mainly of electric cables, is seeing a favorable performance with steadily increased sales and earnings. On top of demand associated with semiconductors firmer than expected in FA cables, the key source of earnings, sales as a whole for the Company have been running ahead of expectations as a result of surging copper prices. In fact, FY10/2021 Company forecasts have been upgraded. This was also attributable to performance better than expected in consolidated subsidiaries based in Japan, according to the Company. Procurement prices of electric cables, basically made of copper, are supposed to hinge on changes in average copper prices quoted, which does take place for the recent rise in the said prices this time around as is taken for granted. Meanwhile, it appears that the Company is well passing this on to selling prices. However, gross profit margin is rather under pressure, because it takes a while to pass this on to selling prices, while the changes in copper prices are immediately reflected in procurement prices for the Company which adopts moving average cost method in evaluating inventory (merchandises). Even so, more importantly, it should be noted that gross profit margin is effectively immune to the changes from a long-term perspective as it only takes time for the changes to be reflected. Indeed, the Company, trying to get at steady growth in sales and earnings from a long-term perspective, is calling for CAGR of 7.7% in sales and 10.3% in recurring profit as target performance of midterm management plan (FY10/2021 to FY10/2024), mainly for the sake of ensuring its measure to actively return earnings to shareholders. For FY10/2021, the Company is going for total return ratio of 59.8%, implying that the Company, holding fat net cash, is also keen on improving capital efficiency.

2.0 Company Profile

Technology-Oriented Trading House Mainly of Electric Cables

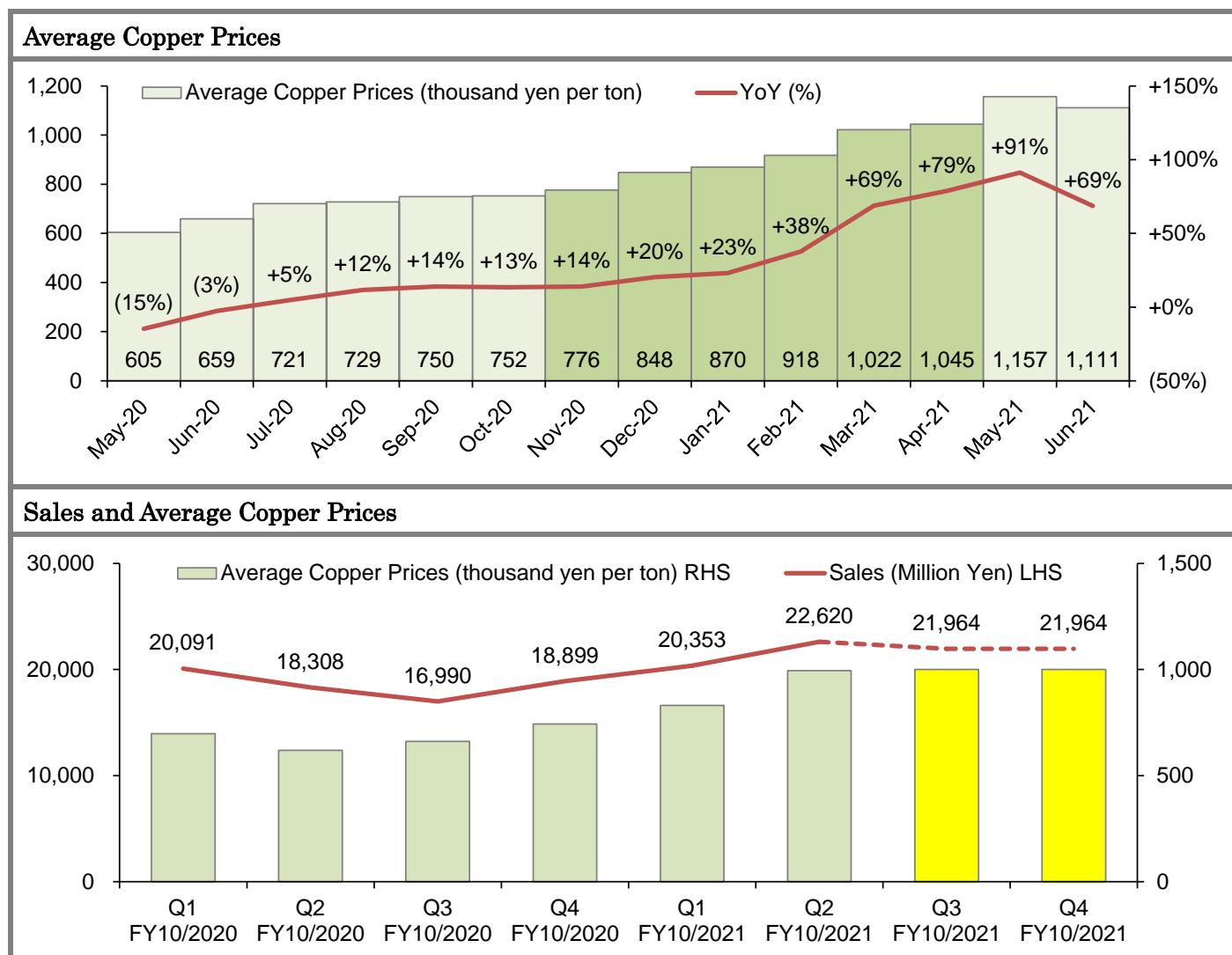
Company Name	SENSHU ELECTRIC CO.,LTD. Company Website IR Information (Japanese only) Share Price (Japanese)
Established	18 November 1949
Listing	9 November 2017: Tokyo Stock Exchange 1st section (ticker: 9824) 8 November 2002: Tokyo Stock Exchange 2nd section 24 June 1991: Osaka Stock Exchange 2nd section
Capital	¥2,575m (as of the end of April 2021)
No. of Shares	10,800,000 shares, including 1,558,120 treasury shares (as of the end of April 2021)
Main Features	<ul style="list-style-type: none"> ● Stocking and selling electric cables more than 50,000 in the number of items ● FA cables, related to so-called private-sector capex, the key earnings pillar ● Co-developing original products with smaller manufacturers of electric cables
Business Segment	I . Electric Cables Business
Representation	Representative Director, President: Motohide Nishimura
Shareholders	Custody Bank of Japan, T. (Swcc Showa Holdings) 10.82%, BBH Fidelity LowPriced Stocks F 9.47%, Motohide Nishimura 8.55% (as of the end of April 2021, but for treasury shares)
Head Office	Suita-city, Osaka-prefecture, JAPAN
No. of Personnel	Consolidated: 732, Parent: 548 (as of the end of April 2021)

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY10/2021

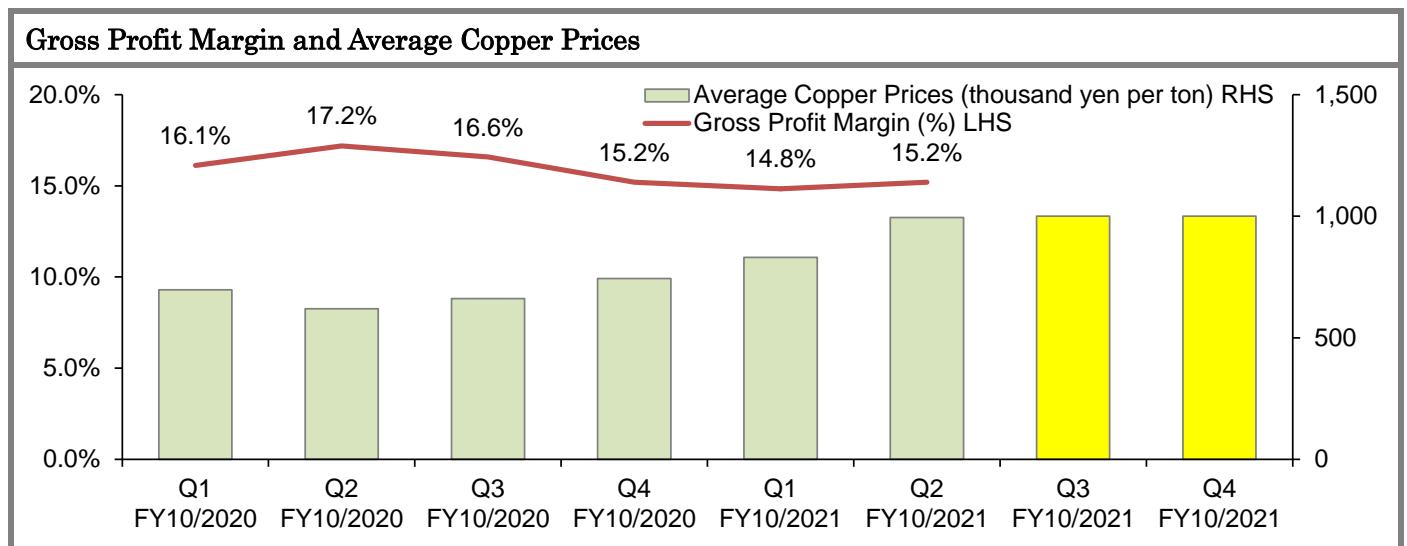
In Q1 to Q2 FY10/2021, sales came in at ¥42,973m (up 11.9% YoY), operating profit ¥1,905m (up 5.6%), recurring profit ¥2,090m (up 9.3%) and profit attributable to owners of parent ¥1,442m (up 9.2%), while operating profit margin 4.4% (down 0.3% points).



Source: Company Data, JX Nippon Mining & Metals Corporation, WRJ Calculation (Q3 and Q4 in FY10/2021: H2 Company forecasts, pro rata)

Copper prices (standard value of three nines electrolyte copper after electrolyte refining or those of being quoted to be decided and announced by [JX Nippon Mining & Metals Corporation](#), wholly-owned by ENEOS Holdings, Inc., and/or trades, based on transaction prices of copper released by London Metal Exchange) have risen dramatically during the said period (November 2020 to April 2021), having contributed to increase sales as a whole for the Company to a large extent. The Company, mainly running operations of stocking and selling for electric cables, principally made of copper, is said to have a capability to pass on increased procurement prices of electric cables in line with increased copper prices to selling prices even in the short-term to a certain extent.

Meanwhile, on a parent basis, sales came in at ¥40,230m (up 12.1%), while sales of consolidated add-ons came in at ¥2,743m (up 9.7%), implying that sales on a parent basis account for the bulk of sales as a whole for the Company, i.e., 93.6% of total versus 6.4% for consolidated add-ons. Still, it has been suggested that consolidated add-ons saw increased contribution to earnings as a whole for the Company for Q1 to Q2. By the way, consolidated add-ons are of data that we have created based on parent and consolidated data disclosed by the Company.



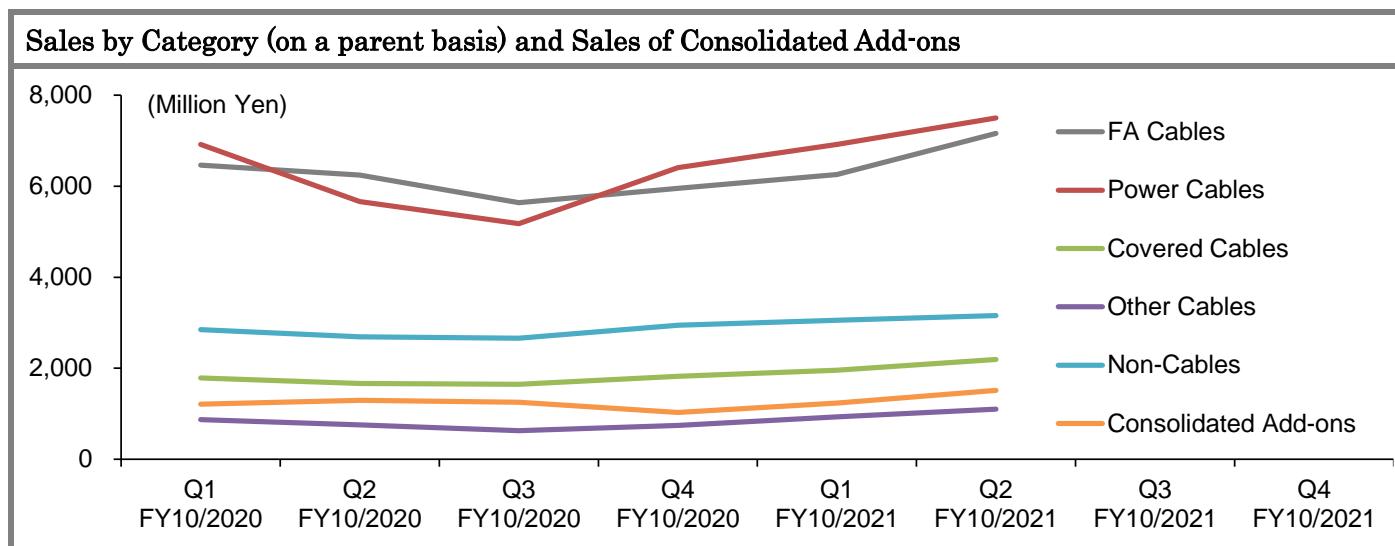
Source: Company Data, JX Nippon Mining & Metals Corporation, WRJ Calculation

Meanwhile, gross profit came in at ¥6,458m (up 1.1%) and SG&A expenses ¥4,553m (down 0.7%), implying gross profit margin of 15.0% (down 1.6% points) and sales to SG&A expenses ratio of 10.6% (down 1.3% points). For a reason why gross margin was rather under pressure, the Company also refers to rising copper prices. As mentioned earlier, the Company has a capability to pass on increased procurement prices of electric cables to selling prices even in the short term to more than a certain extent, but it always takes a while to be fully done so.

Consequently, gross profit margin is inevitably under pressure when copper prices are on the rise and vice versa at the same time. For example, the Company saw gross profit margin increased from Q1 to Q2 for FY10/2020, which was attributable to copper prices lowered, according to the Company. Meanwhile, with respect to SG&A expenses marginally decreased, the Company suggests that it saw benefits of cost cutting and decreased travelling expenses, having more than compensated for increased delivery expenses.

When compared with assumptions of initial Company forecasts, announced on 9 December 2020, the Company saw results for Q1 to Q2 better than expected and Company forecasts for H2 have been upgraded on 31 May 2021. With respect to the former, the Company saw sales better by ¥3,373m (8.5%) and ¥425m (28.7%) for operating profit. With respect to the latter, the Company sees upgrade by ¥1,427m (3.4%) for sales and ¥125m (6.9%) for operating profit. Thus, the upgrade for H2 has remained rather smaller than the actual upside for Q1 to Q2. On a full-year basis, sales have been upgraded by ¥4,800m (5.8%) and ¥550m (16.7%) for operating profit.

Initial Company forecasts assume average copper prices per ton of ¥720,000 versus ¥956,000 (up 40.6% YoY) for the latest Company forecasts after the upgrade. According to the Company, it saw average copper prices per ton of ¥913,000 (up 38.8% YoY) for Q1 to Q2, while assuming average copper prices per ton of ¥1,000,000 for H2. Thus, the Company has seen copper prices far higher than initially expected as well as having seen demand associated with semiconductors firmer than expected in FA cables, the key source of earnings for the Company as a whole. Speaking of consolidated subsidiaries based in Japan, they have also seen performance better than expected.



Source: Company Data, WRJ Calculation

FA Cables

Sales of FA cables came in at ¥13,422m (up 5.9%), while FY10/2021 Company forecasts are going for prospective sales of ¥26,500m (up 9.1%). FA cables are often related to so-called private-sector capex and they are adopted for machine tools, industrial machinery, automotive facilities and semiconductor / liquid crystal facilities. Amongst others, FA cables are often used in areas surrounding factory automation (FA) within the facilities and thus they are called so.

Meanwhile, due to the fact that FA cables are often delivered directly to end users represented by manufacturers of semiconductor production equipment and/or automobiles as well as the fact that the Company is deeply involved with original products that meet the needs of each end user, they carry gross profit margin relatively higher than in other categories, which is suggested by the Company. In other words, it is raised as a feature that they have a tendency to rather insulate themselves from changes of copper prices in a respect that they have high added value (limited exposure to cost of copper out of cost of sales) in the first place. For Q1 to Q2, demand associated with semiconductors has been firmer than expected, while demand associated with machine tools and automobile facilities has not shown any significant movements, according to the Company.

Power Cables

Sales of power cables came in at ¥14,421m (up 14.6%), while FY10/2021 Company forecasts are going for prospective sales of ¥29,400m (up 21.6%). Power Cables are used to supply electric power for all types of buildings and they are positioned as construction-related. The share of copper in cost of sales is said to be as high as 80% and the recent rise in copper prices is considered to have significant impacts on the increase in sales of power cables.

Covered Cables

Sales of covered cables came in at ¥4,147m (up 20.4%), while FY10/2021 Company forecasts are going for prospective sales of ¥8,300m (up 20.2%). Covered cables are also of construction-related as in power cables. The difference between the two is whether they are applied for trunk lines or branch lines (and/or for housings), respectively, power cables and covered cables. Thus, the Company suggests that the recent rise in copper prices has driven sales a lot as in power cables.

Other Cables

Sales of other cables came in at ¥2,030m (up 25.2%), while FY10/2021 Company forecasts are going for prospective sales of ¥4,000m (up 33.9%). Other cables are of stocking and selling for so-called bare electric cables, procuring them from major manufacturers of electric cables to sell to smaller ones. Effectively, the Company simply trades copper itself in a sense, generating low added value and/or gross profit margin. Meanwhile, the size of sales is small and thus they have almost nothing to do with performance as a whole for the Company.

Non-Cables

Sales of non-cables came in at ¥6,208m (up 12.1%), while FY10/2021 Company forecasts are going for prospective sales of ¥12,800m (up 14.9%). In non-cables, the Company sees sales stemming from stocking and selling of merchandises but for all those above-mentioned electric cables. The Company mentions examples of merchandise such as those of natural energy represented by photovoltaic generation, processing-related, harness-related, cable accessories and materials to process terminals, while suggesting that it is involved with diverse merchandises on top of them.

For example, the Company has opened a dedicated website in 2019 for its “underground heating vinyl wire for agricultural greenhouse Abil Heater”, which has been developed on its own, while trying to expand sales for the future at the moment.

Compared with an existing scheme to warm up agricultural greenhouse through the use of heavy fuel oil, this is said to cut back on generation of carbon dioxide, while bringing in improved energy efficiency as this directly warms up earth within the house.

Consolidated Add-ons

Sales of consolidated add-ons came in at ¥2,743m (up 9.7%), while FY10/2021 Company forecasts are going for prospective sales of ¥5,900m (up 23.4%). For consolidated add-ons, the Company sees collective performance of 5 consolidated subsidiaries based in Japan and 5 of them overseas in China, Taiwan, Thailand, the Philippines and Vietnam. One of the 5 consolidated subsidiaries based in Japan is of spin off from the parent company, while the remaining four of them are of having been acquired. Meanwhile, for 5 of them overseas, the Company says that they have been established locally to cope with overseas production shift by customers based in Japan. Still, some of them have successfully cultivated local customers to some extent, according to the Company.

For Q1 to Q2, the Company suggests that taiyo tsushin kogyo Co., Ltd and NBS co.,Ltd, both based in Japan, saw favorable performance in particular. The former is a trading house to deal in information and communications equipment, whose main customer is telecom-construction subsidiary of a major telecom carrier, while benefiting from surging demand for merchandises to contribute to digital transformation (DX). Meanwhile, the latter continues to see increasing demand for its high-current connectors, being manufactured with own expertise, from semiconductor production equipment industry.

Income Statement (Cumulative/Quarterly)

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 10/2020	Q1 to Q2 10/2020	Q1 to Q3 10/2020	Q1 to Q4 10/2020	Q1 10/2021	Q1 to Q2 10/2021	Q1 to Q3 10/2021	Q1 to Q4 10/2021	
Sales	20,091	38,399	55,389	74,288	20,353	42,973	-	-	+4,574
Cost of Sales	16,850	32,010	46,182	62,210	17,331	36,514	-	-	+4,504
Gross Profit	3,240	6,388	9,206	12,078	3,021	6,458	-	-	+70
SG&A Expenses	2,421	4,584	6,804	8,953	2,300	4,553	-	-	(31)
Operating Profit	818	1,804	2,401	3,124	720	1,905	-	-	+101
Non Operating Balance	62	107	199	258	99	185	-	-	+78
Recurring Profit	880	1,911	2,600	3,382	819	2,090	-	-	+179
Extraordinary Balance	47	40	40	40	0	0	-	-	(40)
Profit before Income Taxes	928	1,951	2,640	3,422	819	2,090	-	-	+139
Total Income Taxes	304	623	844	1,065	270	641	-	-	+18
NP Belonging to Non-Controlling SHs	6	6	8	4	0	6	-	-	0
Profit Attributable to Owners of Parent	616	1,320	1,787	2,351	549	1,442	-	-	+122
Sales YoY	(6.0%)	(9.4%)	(12.2%)	(11.2%)	+1.3%	+11.9%	-	-	-
Operating Profit YoY	(24.0%)	(16.1%)	(19.3%)	(21.5%)	(12.0%)	+5.6%	-	-	-
Recurring Profit YoY	(22.4%)	(15.5%)	(17.6%)	(19.6%)	(7.0%)	+9.3%	-	-	-
Profit Attributable to Owners of Parent YoY	(19.7%)	(13.1%)	(15.2%)	(13.4%)	(10.9%)	+9.2%	-	-	-
Gross Profit Margin	16.1%	16.6%	16.6%	16.3%	14.8%	15.0%	-	-	(1.6%)
SGA Ratio	12.1%	11.9%	12.3%	12.1%	11.3%	10.6%	-	-	(1.3%)
Operating Profit Margin	4.1%	4.7%	4.3%	4.2%	3.5%	4.4%	-	-	(0.3%)
Recurring Profit Margin	4.4%	5.0%	4.7%	4.6%	4.0%	4.9%	-	-	(0.1%)
Profit Attributable to Owners of Parent Margin	3.1%	3.4%	3.2%	3.2%	2.7%	3.4%	-	-	(0.1%)
Tax Charges etc. / Pretax Profit	32.8%	31.9%	32.0%	31.1%	33.0%	30.7%	-	-	(1.3%)
Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 10/2020	Q2 10/2020	Q3 10/2020	Q4 10/2020	Q1 10/2021	Q2 10/2021	Q3 10/2021	Q4 10/2021	
Sales	20,091	18,308	16,990	18,899	20,353	22,620	-	-	+4,312
Cost of Sales	16,850	15,160	14,172	16,028	17,331	19,183	-	-	+4,023
Gross Profit	3,240	3,148	2,818	2,872	3,021	3,437	-	-	+289
SG&A Expenses	2,421	2,163	2,220	2,149	2,300	2,253	-	-	+90
Operating Profit	818	986	597	723	720	1,185	-	-	+199
Non Operating Balance	62	45	92	59	99	86	-	-	+41
Recurring Profit	880	1,031	689	782	819	1,271	-	-	+240
Extraordinary Balance	47	(7)	0	0	0	0	-	-	+7
Profit before Income Taxes	928	1,023	689	782	819	1,271	-	-	+248
Total Income Taxes	304	319	221	221	270	371	-	-	+52
NP Belonging to Non-Controlling SHs	6	0	2	(4)	0	6	-	-	+6
Profit Attributable to Owners of Parent	616	704	467	564	549	893	-	-	+189
Sales YoY	(6.0%)	(13.0%)	(17.8%)	(8.2%)	+1.3%	+23.6%	-	-	-
Operating Profit YoY	(24.0%)	(8.1%)	(27.7%)	(27.9%)	(12.0%)	+20.2%	-	-	-
Recurring Profit YoY	(22.4%)	(8.7%)	(22.8%)	(25.5%)	(7.0%)	+23.3%	-	-	-
Profit Attributable to Owners of Parent YoY	(19.7%)	(6.5%)	(20.4%)	(7.1%)	(10.9%)	+26.8%	-	-	-
Gross Profit Margin	16.1%	17.2%	16.6%	15.2%	14.8%	15.2%	-	-	(2.0%)
SGA Ratio	12.1%	11.8%	13.1%	11.4%	11.3%	10.0%	-	-	(1.9%)
Operating Profit Margin	4.1%	5.4%	3.5%	3.8%	3.5%	5.2%	-	-	(0.1%)
Recurring Profit Margin	4.4%	5.6%	4.1%	4.1%	4.0%	5.6%	-	-	(0.0%)
Profit Attributable to Owners of Parent Margin	3.1%	3.8%	2.7%	3.0%	2.7%	3.9%	-	-	+0.1%
Tax Charges etc. / Pretax Profit	32.8%	31.9%	32.1%	28.3%	33.0%	30.7%	-	-	(1.3%)

Source: Company Data, WRJ Calculation

Sales by Category (Cumulative/Quarterly)

Sales by Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Net Chg.
	10/2020	10/2020	10/2020	10/2020	10/2021	10/2021	10/2021	10/2021	
FA Cables	6,465	12,709	18,346	24,299	6,259	13,422	-	-	+713
Power Cables	6,920	12,583	17,761	24,173	6,921	14,421	-	-	+1,838
Covered Cables	1,783	3,444	5,087	6,906	1,956	4,147	-	-	+703
Other Cables	869	1,621	2,245	2,987	931	2,030	-	-	+409
Non-Cables	2,847	5,538	8,198	11,140	3,053	6,208	-	-	+670
Sales (on a Parent basis)	18,884	35,898	51,637	69,507	19,122	40,230	-	-	+4,332
Consolidated Add-ons	1,207	2,501	3,752	4,781	1,231	2,743	-	-	+242
Sales	20,091	38,399	55,389	74,288	20,353	42,973	-	-	+4,574
FA Cables	(11.0%)	(11.7%)	(13.9%)	(13.0%)	(3.2%)	+5.6%	-	-	-
Power Cables	+1.2%	(6.6%)	(10.6%)	(9.4%)	+0.0%	+14.6%	-	-	-
Covered Cables	(6.4%)	(7.8%)	(10.4%)	(9.2%)	+9.7%	+20.4%	-	-	-
Other Cables	(11.7%)	(16.4%)	(23.1%)	(19.9%)	+7.1%	+25.2%	-	-	-
Non-Cables	(10.2%)	(11.7%)	(13.9%)	(13.1%)	+7.2%	+12.1%	-	-	-
Sales (on a Parent basis)	(6.3%)	(9.8%)	(12.9%)	(11.7%)	+1.3%	+12.1%	-	-	-
Consolidated Add-ons	+0.2%	(3.4%)	(0.7%)	(2.9%)	+2.0%	+9.7%	-	-	-
Sales (YoY)	(6.0%)	(9.4%)	(12.2%)	(11.2%)	+1.3%	+11.9%	-	-	-
FA Cables	34.2%	35.4%	35.5%	35.0%	32.7%	33.4%	-	-	-
Power Cables	36.6%	35.1%	34.4%	34.8%	36.2%	35.8%	-	-	-
Covered Cables	9.4%	9.6%	9.9%	9.9%	10.2%	10.3%	-	-	-
Other Cables	4.6%	4.5%	4.3%	4.3%	4.9%	5.0%	-	-	-
Non-Cables	15.1%	15.4%	15.9%	16.0%	16.0%	15.5%	-	-	-
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Sales (on a Parent basis)	94.0%	93.5%	93.2%	93.6%	94.0%	93.6%	-	-	-
Consolidated Add-ons	6.0%	6.5%	6.8%	6.4%	6.0%	6.4%	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Sales by Category (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Net Chg.
	10/2020	10/2020	10/2020	10/2020	10/2021	10/2021	10/2021	10/2021	
FA Cables	6,465	6,244	5,637	5,953	6,259	7,163	-	-	+919
Power Cables	6,920	5,663	5,178	6,412	6,921	7,500	-	-	+1,837
Covered Cables	1,783	1,661	1,643	1,819	1,956	2,191	-	-	+530
Other Cables	869	752	624	742	931	1,099	-	-	+347
Non-Cables	2,847	2,691	2,660	2,942	3,053	3,155	-	-	+464
Sales (on a Parent basis)	18,884	17,014	15,739	17,870	19,122	21,108	-	-	+4,094
Consolidated Add-ons	1,207	1,294	1,251	1,029	1,231	1,512	-	-	+218
Sales	20,091	18,308	16,990	18,899	20,353	22,620	-	-	+4,312
FA Cables	(11.0%)	(12.4%)	(18.6%)	(9.9%)	(3.2%)	+14.7%	-	-	-
Power Cables	+1.2%	(14.7%)	(19.0%)	(5.8%)	+0.0%	+32.4%	-	-	-
Covered Cables	(6.4%)	(9.3%)	(15.5%)	(5.6%)	+9.7%	+31.9%	-	-	-
Other Cables	(11.7%)	(21.3%)	(36.4%)	(8.2%)	+7.1%	+46.1%	-	-	-
Non-Cables	(10.2%)	(13.2%)	(18.1%)	(10.9%)	+7.2%	+17.2%	-	-	-
Sales (on a Parent basis)	(6.3%)	(13.4%)	(19.2%)	(8.1%)	+1.3%	+24.1%	-	-	-
Consolidated Add-ons	+0.2%	(6.5%)	+5.1%	(10.3%)	+2.0%	+16.8%	-	-	-
Sales (YoY)	(6.0%)	(13.0%)	(17.8%)	(8.2%)	+1.3%	+23.6%	-	-	-
FA Cables	34.2%	36.7%	35.8%	33.3%	32.7%	33.9%	-	-	-
Power Cables	36.6%	33.3%	32.9%	35.9%	36.2%	35.5%	-	-	-
Covered Cables	9.4%	9.8%	10.4%	10.2%	10.2%	10.4%	-	-	-
Other Cables	4.6%	4.4%	4.0%	4.2%	4.9%	5.2%	-	-	-
Non-Cables	15.1%	15.8%	16.9%	16.5%	16.0%	14.9%	-	-	-
Sales (on a Parent basis)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Sales (on a Parent basis)	94.0%	92.9%	92.6%	94.6%	94.0%	93.3%	-	-	-
Consolidated Add-ons	6.0%	7.1%	7.4%	5.4%	6.0%	6.7%	-	-	-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	YoY							
	Q1 10/2020	Q2 10/2020	Q3 10/2020	Q4 10/2020	Q1 10/2021	Q2 10/2021	Q3 10/2021	Q4 10/2021	Net Chg.
Cash and Deposit	16,187	17,323	15,938	18,461	18,651	23,778	-	-	+6,455
Accounts Receivables	23,292	21,259	20,151	21,155	22,498	24,215	-	-	+2,956
Inventory	4,354	4,186	4,173	3,847	4,324	4,534	-	-	+348
Other	104	247	270	201	217	288	-	-	+41
Current Assets	43,937	43,015	40,532	43,664	45,690	52,815	-	-	+9,800
Tangible Assets	17,986	17,929	17,847	17,774	17,664	17,568	-	-	(361)
Intangible Assets	160	146	132	120	110	105	-	-	(41)
Investments and Other Assets	5,829	5,765	5,728	5,842	5,709	5,948	-	-	+183
Fixed Assets	23,976	23,841	23,708	23,737	23,483	23,621	-	-	(220)
Total Assets	67,914	66,856	64,241	67,401	69,175	76,437	-	-	+9,581
Accounts Payables	23,925	21,631	19,653	21,858	24,267	30,206	-	-	+8,575
Short-Term Debt	105	105	105	105	105	105	-	-	0
Other	1,547	2,223	1,604	2,299	1,563	2,133	-	-	(90)
Current Liabilities	25,577	23,959	21,362	24,262	25,935	32,444	-	-	+8,485
Long-Term Debt	-	-	-	-	-	-	-	-	-
Other	2,721	2,707	2,743	2,728	2,628	2,653	-	-	(54)
Fixed Liabilities	2,721	2,707	2,743	2,728	2,628	2,653	-	-	(54)
Total Liabilities	28,298	26,666	24,105	26,991	28,564	35,097	-	-	+8,431
Shareholders' Equity	38,937	39,690	39,602	39,887	39,919	40,547	-	-	+857
Other	678	500	533	522	692	792	-	-	+292
Net Assets	39,615	40,190	40,135	40,409	40,611	41,339	-	-	+1,149
Total Liabilities and Net Assets	67,914	66,856	64,241	67,401	69,175	76,437	-	-	+9,581
Equity Capital	39,465	40,043	39,996	40,272	40,474	41,190	-	-	+1,147
Interest Bearing Debt	105	105	105	105	105	105	-	-	0
Net Debt	(16,082)	(17,218)	(15,833)	(18,356)	(18,546)	(23,673)	-	-	(6,455)
Capital Ratio	58.1%	59.9%	62.3%	59.8%	58.5%	53.9%	-	-	-
Net Debt Equity Ratio	(40.8%)	(43.0%)	(39.6%)	(45.6%)	(45.8%)	(57.5%)	-	-	-
ROE (12 months)	6.6%	6.4%	6.1%	5.9%	5.7%	6.1%	-	-	-
ROA (12 months)	5.8%	5.7%	5.5%	5.0%	4.8%	5.0%	-	-	-
Months for Inventory Turnover	0.65	0.69	0.74	0.61	0.64	0.60	-	-	-
Quick Ratio	154%	161%	169%	163%	159%	148%	-	-	-
Current Ratio	172%	180%	190%	180%	176%	163%	-	-	-

Source: Company Data, WRJ Calculation

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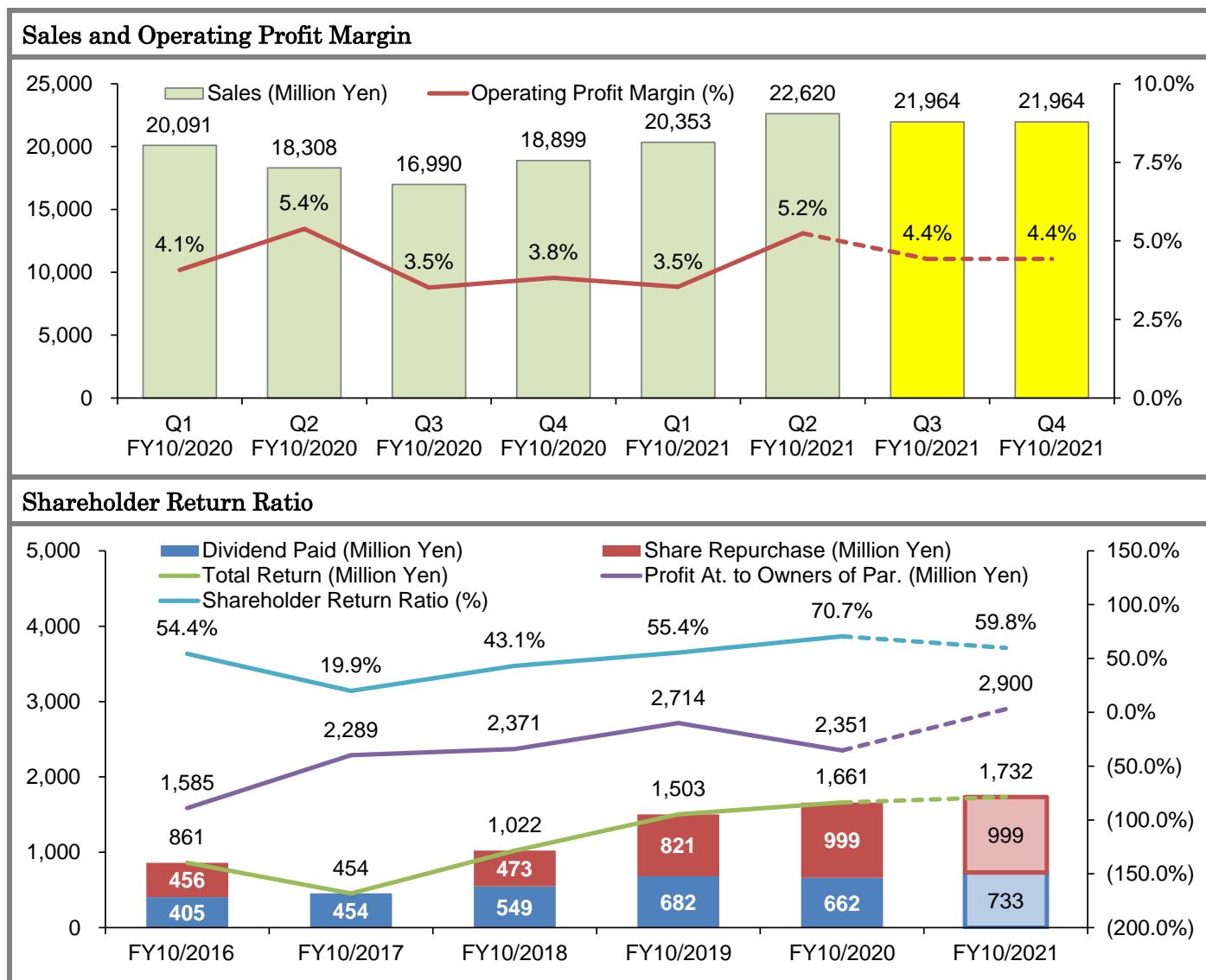
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1 10/2020	Q1 to Q2 10/2020	Q1 to Q3 10/2020	Q1 to Q4 10/2020	Q1 10/2021	Q1 to Q2 10/2021	Q1 to Q3 10/2021	Q1 to Q4 10/2021	Net Chg.
Operating Cash Flow	-	2,349	-	4,451	-	6,004	-	-	+3,655
Investing Cash Flow	-	(180)	-	(395)	-	117	-	-	+297
Operating Cash Flow and Investing Cash Flow	-	2,169	-	4,056	-	6,121	-	-	+3,952
Financing Cash Flow	-	(865)	-	(1,769)	-	(852)	-	-	+13

Source: Company Data, WRJ Calculation

FY10/2021 Company Forecasts

FY10/2021 Company forecasts, announced on 31 May 2021, are going for prospective sales of ¥86,900m (up 17.0% YoY), operating profit of ¥3,850m (up 23.2%), recurring profit of ¥4,200m (up 24.2%) and profit attributable to owners of parent of ¥2,900m (up 23.3%), while operating profit margin of 4.4% (up 0.2% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 in FY10/2021: H2 Company forecasts, pro rata)

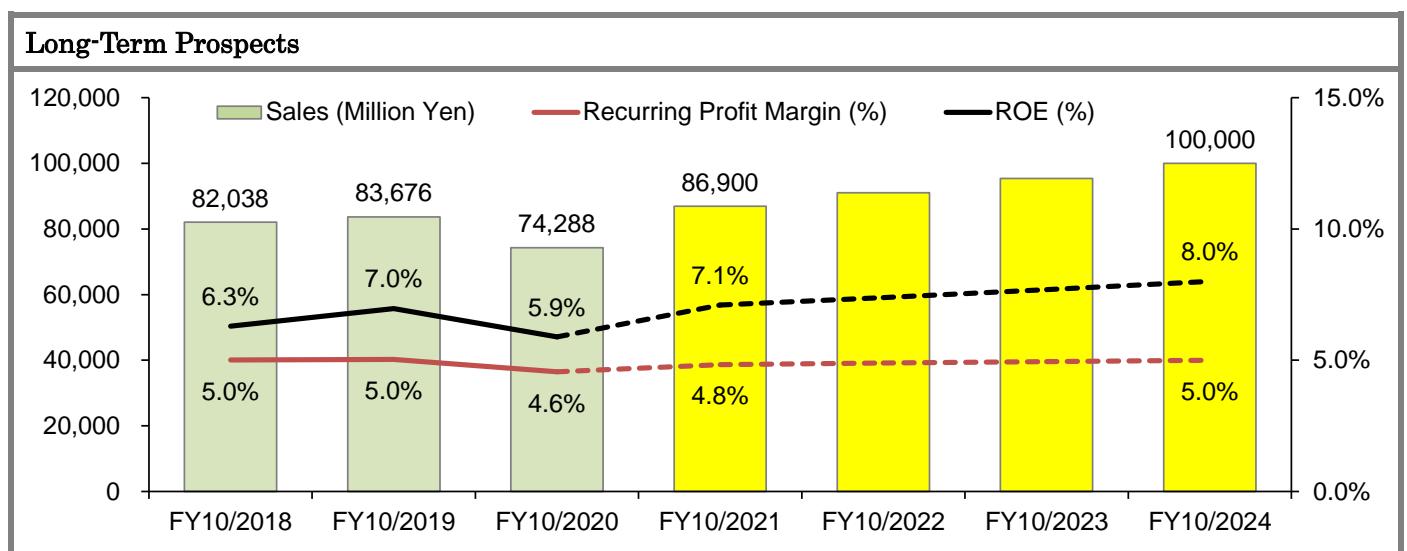
At the same time, Company forecasts are going for prospective annual dividend of ¥80.00 per share (¥40.00 as of the end of Q2 and ¥40.00 as of the fiscal yearend), implying payout ratio of 25.1%. Compared with actual results of FY10/2020, i.e., annual dividend of ¥70.00 per share (¥35.00 as of the end of Q2 and ¥35.00 as of the end of fiscal yearend), implying payout ratio of 28.3%, Company forecasts are going for increase in dividend per share by ¥10.00.

Meanwhile, the Company has had repurchased own shares worth ¥2,750m, collectively, over the last 5 years with the aim of enhancing shareholder returns, improving capital efficiency and implementing flexible capital policies in response to changes in the business environment. As of the end of Q2 FY10/2021, total assets stood at ¥76,437m and equity capital ¥41,190m (equity ratio of 53.9%) and net cash ¥23,673m, implying that the Company has a considerable potential to raise capital efficiency through further repurchasing.

For FY10/2021 so far, the Company has completed a scheme to repurchase own shares as much as ¥499m (146,000 shares) through 10 December 2020 to 30 April 2021, while making progress for another one to purchase up to ¥500m (150,000 shares) through 4 June 2021 to 31 October 2021. Assuming that this will be all completed and that above-mentioned Company forecasts are to be met, the Company will see shareholder return ratio of 59.8% for FY10/2021. It has been disclosed that the Company has repurchased own shares as much as ¥122m (34,500 shares) as of 30 June 2021.

Long-Term Prospects

On 9 December 2020, the Company announced revision of its midterm management plan. For FY10/2024, the Company is now calling for prospective sales of ¥100,000m and recurring profit of ¥5,000m, implying CAGR of 7.7% for sales and 10.3% for recurring profit through FY10/2021 to FY10/2024, while improvement by 0.4% points for recurring profit margin from 4.6% to 5.0% through FY10/2020 to FY10/2024 as well as improvement by 2.1% points or more for ROE from 5.9% to 8.0% or more.



Source: Company Data, WRJ Calculation

SENSHU ELECTRIC Group Midterm Management Plan (FY10/2017 to FY10/2021), announced on 9 December 2016, was calling for prospective sales of ¥100,000m and recurring profit of ¥5,000m for FY10/2021, the final year of the plan. However, in response to the impacts stemming from COVID-19, the Company has pushed back timeline for achieving this performance target to FY10/2024. According to the Company, this is a result of comprehensive consideration of changes in the business climate surrounding the Company and progresses of various measures. Meanwhile, the Company has revealed that it is actively working on ESG and SDGs as found in the publishing of environmental report annually, whose contents are [disclosed on the homepage](#) in Japanese.

4.0 Business Model

Technology-Oriented Trading House Mainly of Electric Cables

The Company, technology-oriented trading house mainly of electric cables, saw listing change to 1st section from 2nd section in Tokyo Stock Exchange on 9 November 2017, while having gone through the 70th anniversary on 18 November 2019. At the same time, the Company has been consistently creating added value together with the three business models, comprising a) JUST IN TIME SYSTEM, b) original products and c) cable assemblies.

The Three Business Models		
JUST IN TIME SYSTEM (distribution warehousing) 	Original Products (co-developed with electric cable manufacturers) 	Cable Assemblies (terminal processing for electric cables) 

Source: Company Data

The Company adopts a) JUST IN TIME SYSTEM in its mainstay operations of stocking and selling for electric cables, under which it "delivers the required merchandises as much as needed when needed" as a motto. Together with this, the Company runs the first-class integrated operations amongst trades on ordering to delivery, fulfilling demand from customers as many as 3,500 or more in the number.

The Company's suppliers, manufacturers of electric cable (more than 250 in the number), directly deliver electric cables to major end users represented by telecom carriers and electric power companies, while taking advantage of efficient distribution systems of trading houses, including the Company's, for deliveries to users other than the major end users to a large extent. For the Company, the mainstay commercial distribution starts with manufacturers of electric cables to the Company, which is followed by the Company to electrical facilities materials sales companies (some 1,100 in the number for the large-scale ones in Japan), which is, then, followed by electrical facilities materials sales companies to end users represented by electrical construction companies (60,000 or more in the number nationwide). Meanwhile, the Company directly delivers to large electrical construction companies (some 30 in the number for the largest) as well as running operations to directly supply end users, which is called "direct demand".

In terms of the actual results of Q1 to Q2 FY10/2021, sales associated with electrical facilities materials sales companies accounted for 49.1% of total by sales channel, while 26.5% for direct demand and 19.4% for electrical construction companies. Speaking of end users belonging to direct demand, the Company suggests that they are often related to so-called private-sector capex, running business of machine tools, industrial machinery, automotive facilities and semiconductor / liquid crystal facilities.

In other words, when viewed by category, sales of direct demand are basically of FA cables, while it is characterized by added value relatively higher. Amongst others, b) original products are said to create added value high in particular. They are literally "original" in a respect of being co-developed with smaller manufacturers of electric cables, the suppliers for the Company, in line with specific and detailed needs of each end user, implying that the operations create additional added value to a corresponding extent. On top of this, they are not exposed to competition and thus carry gross profit margin relatively higher at the same time.

Meanwhile, the Company, running operations of sale at 17 locations nationwide covering Hokkaido to Okinawa, deals in electric cables more than 50,000 in the number of items, which is said to be maximum amongst trades. In addition, the Company says that it always stocks sufficient inventory required, in distribution warehousing with the floor area of some 60,000 m², currently equating to some ¥3,900m (on a parent basis), while the key contents here are of FA cables, including b) original products.

At the same time, the Company has facilities for c) cable assemblies (terminal processing for electric cables) in 7 locations out of the above-mentioned 17 locations, running operations to manufacture semi-finished products associated with electric cables and thus there is an aspect that the Company is able to additionally create added value by this extent. Basically, the Company is in charge of distribution of procured electric cables, but there are cases where it is deeply involved with provision of b) original products which are value added to a large extent as well as pursuing creation of added value by means of developing c) cable assemblies (terminal processing for electric cable) in line with customer requests.

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All in all, the Company is actively working to maximize creation of added value by efficiently running operations of stocking and selling for electric cables with a) JUST IN TIME SYSTEM as well as by being deeply involved with b) original products and c) cable assemblies (terminal processing for electric cable) with own expertise and knowhow. Thus, the Company is positioned as technology-oriented trading house mainly of electric cables.

Disclaimer

Information here is a summary of "IR Information" of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. "IR Information" of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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